

**MARION COUNTY**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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MARION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Howard Pothoven	Board of Supervisors	Jan. 2011
Sam Nichols	Board of Supervisors	Jan. 2013
Jim Kingery	Board of Supervisors	Jan. 2013
Jake Grandia	County Auditor	Jan. 2013
Denise Emal	County Treasurer	Jan. 2011
Karen Schwanebeck	County Recorder	Jan. 2011
Ronald Goemaat	County Sheriff	Jan. 2013
Terry Rachels	County Attorney	Jan. 2011
Drew Sanders	County Assessor	Jan. 2016
(After January 2011)		
Sam Nichols	Board of Supervisors	Jan. 2013
Jim Kingery	Board of Supervisors	Jan. 2013
Craig Agan	Board of Supervisors	Jan. 2015
Jake Grandia	County Auditor	Jan. 2013
Denise Emal	County Treasurer	Jan. 2015
Karen Schwanebeck	County Recorder	Jan. 2015
Ronald Goemaat	County Sheriff	Jan. 2013
Ed Bull	County Attorney	Jan. 2015
Drew Sanders	County Assessor	Jan. 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report March 5, 2012 on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 56 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 12, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 5, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

County governmental funds revenue increased 2% or \$401,958 from 2010 to 2011. Property and other county taxes increased approximately \$447,000.

County governmental funds program expenditures increased approximately 10%, or \$1,896,963, from 2010 to 2011. Capital project expenditures increased approximately \$579,000.

The County's governmental activities net assets increased 2.7%, or \$898,823, during the year ended June 30, 2011.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Marion County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marion County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Required supplementary information provides a comparison of actual receipts and disbursements to amounts budgeted.

Other supplementary Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

## **REPORTING THE COUNTY AS A WHOLE**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

## *Fund Financial Statements*

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds include the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets increased by \$898,823 from FY 2010. The increase in net assets is due to a mix of factors including the completion of a new public health building and careful control over various expenditures. Our analysis below focuses on the net assets of the County's governmental activities.

<b>Net Assets of Governmental Activities</b>		
	<b>2010</b>	<b>2011</b>
Current and other assets	23,631,279	23,887,922
Capital assets	26,464,675	27,510,094
Total assets	<b>50,095,954</b>	<b>51,398,016</b>
Long-term liabilities	5,723,067	5,356,653
Other liabilities	10,521,490	11,291,143
Total Liabilities	<b>16,244,557</b>	<b>16,647,796</b>
Net assets:		
Invested in capital assets, net of related debt	21,626,241	22,750,094
Restricted	8,306,070	7,414,294
Unrestricted	3,919,086	4,585,832
Total net assets	<b>33,851,397</b>	<b>34,750,220</b>

The net assets of the County's governmental activities increased by 2.7%. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$3,919,086 at June 30, 2010 to \$4,585,832 at the end of this year, an increase of 17 percent.

This increase of \$666,746 in unrestricted net assets was a result of increased property tax revenue and intergovernmental revenue. The county decreased its investment in roadway equipment and road construction by approximately \$116,720 over the prior year. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors, on March 28, 2011.

**Changes in Net Assets of Governmental Activities**

	2010	2011	Net Change
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for service and sales	1,837,515	1,947,222	109,707
Operating grants and contributions	7,143,067	6,854,209	(288,858)
Capital grants and contributions	1,899,286	2,105,116	205,830
<b>General revenues:</b>			
Property tax, state credits, penalty	9,671,829	9,938,635	266,806
Local option sales and services tax	907,971	1,085,928	177,957
Payment in lieu of real estate taxes		98,241	98,241
Unrestricted investment earnings	126,050	110,197	(15,853)
Other general revenues	139,499	7,865	(131,634)
<b>Total revenues</b>	<b>21,725,217</b>	<b>22,147,413</b>	<b>422,196</b>
<b>Program expenses:</b>			
Public safety and legal services	3,277,842	3,286,386	8,544
Physical health and social services	2,375,953	2,585,659	209,706
Mental health	2,419,307	2,463,491	44,184
County environment and education	1,426,237	1,743,821	317,584
Roads and transportation	6,967,884	8,034,023	1,066,139
Government services to residents	668,084	675,079	6,995
Administration or general government	2,359,744	2,273,609	(86,135)
Interest on long-term debt	190,750	186,522	(4,228)
<b>Total expenses</b>	<b>19,685,801</b>	<b>21,248,590</b>	<b>1,562,789</b>
<b>Increase (decrease) in net assets</b>	<b>2,039,416</b>	<b>898,823</b>	
<b>Net assets July 1</b>	<b>31,811,981</b>	<b>33,851,397</b>	
<b>Net assets June 30</b>	<b>33,851,397</b>	<b>34,750,220</b>	

The County's total government wide revenues increased 1.9%. The total government wide cost of all programs and services increased 7.9%. The County covered this year's expenses.

## Governmental Activities

Property tax, state credits and penalties revenue for the year increased 2.8%. The County increased countywide property tax rates in 2011 by \$.01242. A Debt Service Levy of .13092 in 2010 was increased to .20803 in 2011 due to additional general obligation debt for the new public health building.

The cost of all governmental activities this year was \$21,248,590 compared to \$19,685,801 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes and reserves was only \$10,342,043 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, intergovernmental aid, and fees for services, increased in 2011 from \$10,879,868 to \$10,906,547.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$12,392,517, a decrease from last year's total of \$13,038,916. The County funds received \$646,399 less than were expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues increased by 12% over the prior year from \$9,994,148 in 2010 to \$11,192,343 in 2011. The increase in revenues can be primarily attributed to an increase in property and other county tax revenue. General Fund expenses increased from \$9,159,000 in 2010 to \$10,523,030 in 2011, or 14.9%.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,460,887, an increase of 1.8% from the prior year. The Mental Health Fund balance at year end decreased by \$502,775 or 30.6% from the prior year.

Rural Service Fund revenues increased 8.8% from \$2,140,146 in 2010 to \$2,329,315 in 2011. The Rural Service ending fund balance increased by \$42,502 or 7.4% due to an increase in property tax revenues. Secondary Roads Fund expenditures increased by \$1,004,665 or 18.7% over the prior year. Transfers in increased by \$23,101. The ending fund balance in the Secondary Roads Fund was \$1,780,251, a decrease of \$285,169 from the prior year.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget one time, increasing budgeted disbursements by \$2,133,735 and increasing budgeted receipts by \$1,693,426. The amendment was made on May 23, 2011. Highlights of the budget amendment were Secondary Road & Conservation material and repairs and mental health expenses. No budget function areas were exceeded at year end.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, Marion County had \$27,510,094 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$1,045,419 or 4% over last year. This increase is due primarily to improvements to road infrastructure and the purchase of new road maintenance equipment.

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### Capital Assets of Governmental Activities at Year End

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	2010	2011
Land & other non-depreciable assets	\$ 300,281	300,281
Buildings & Improvements	10,791,561	11,252,628
Machinery & Equipment	2,174,515	2,002,960
Infrastructure	13,198,318	13,954,225
Totals	\$ 26,464,675	27,510,094

## **Long-term Liabilities**

At year-end, the County had approximately \$5,356,653 in long-term liabilities compared to approximately \$5,723,067 last year as shown below.

<b>Long-term Liabilities of Governmental Activities at Year-End</b>		
	<b>2010</b>	<b>2011</b>
Compensated absences	\$ 511,659	458,270
Net OPEB Liability	79,815	119,000
Early Retirement	11,593	19,383
General Obligation Law Enforcement Center Bonds	4,100,000	3,880,000
General Obligation County Building & Refunding Bonds	1,020,000	880,000
Totals	\$ <u>5,723,067</u>	<u>5,356,653</u>

Long-term liabilities decreased as a result of payments made on General Obligation Bond debt. Other obligations include accrued vacation pay, compensatory time, OPEB liability and early retirement. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Marion County's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County have slowed down. Countywide valuations remained steady in 2011. Unemployment in the State of Iowa now stands at 5.6 percent versus 6.1 percent a year ago. The Consumer Price Increase was 2%.

These indicators were taken into account when adopting the County budget for 2012. Budgeted revenues in the operating budget are \$21,345,410, a decrease of 1 percent over the final 2011 budget. Marion County will use these receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2012 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Marion County, 214 E Main Street, Knoxville, Iowa.

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## Basic Financial Statements

MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 12,041,836
Receivables:	
Property tax:	
Delinquent	28,044
Succeeding year	9,893,000
Interest and penalty on property tax	44,455
Accounts	251,461
Accrued interest	20,465
Due from other governments	795,074
Inventories	813,587
Capital assets, net of accumulated depreciation (note 5)	<u>27,510,094</u>
<b>Total assets</b>	<u><b>51,398,016</b></u>
<b>Liabilities</b>	
Accounts payable	598,887
Salaries and benefits payable	351,750
Due to other governments (note 6)	417,553
Accrued interest payable	13,953
Claims incurred but not reported	16,000
Deferred revenue:	
Succeeding year property tax	9,893,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Early retirement	14,825
General obligation bonds	375,000
Compensated absences	458,270
Portion due or payable after one year:	
Early retirement	4,558
General obligation bonds	4,385,000
Net OPEB liability	<u>119,000</u>
<b>Total liabilities</b>	<u><b>16,647,796</b></u>

MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 22,750,094
Restricted for:	
Supplemental levy purposes	2,863,013
Mental health purposes	1,137,172
Rural services purposes	366,181
Secondary roads purposes	1,776,298
Debt service	30,647
Other purposes	1,240,983
Unrestricted	<u>4,585,832</u>
Total net assets	<u>\$ 34,750,220</u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Public safety and legal services	\$ 3,286,386	\$ 292,247	355,756	-	\$ (2,638,383)
Physical health and social services	2,585,659	49,904	1,506,757	-	(1,028,998)
Mental health	2,463,491	4,543	987,065	-	(1,471,883)
County environment and education	1,743,821	308,086	142,798	149,738	(1,143,199)
Roads and transportation	8,034,023	580,127	3,847,763	1,955,378	(1,650,755)
Government services to residents	675,079	526,413	14,070	-	(134,596)
Administration	2,273,609	185,902	-	-	(2,087,707)
Interest on long-term debt	186,522	-	-	-	(186,522)
<b>Total</b>	<b>\$ 21,248,590</b>	<b>\$ 1,947,222</b>	<b>\$ 6,854,209</b>	<b>\$ 2,105,116</b>	<b>(10,342,043)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					9,261,217
Debt service					239,846
Penalty and interest on property tax					107,552
State tax credits					330,020
Local option sales and services tax					1,085,928
Payment in lieu of real estate taxes					98,241
Unrestricted investment earnings					110,197
Miscellaneous					7,865
<b>Total general revenues</b>					<b>11,240,866</b>
Change in net assets					898,823
Net assets beginning of year					33,851,397
Net assets end of year					<b>\$ 34,750,220</b>

See notes to financial statements.

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MARION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 8,344,235	\$ 1,728,758	\$ 606,897	\$ 909,142
Receivables:				
Property tax:				
Delinquent	16,818	2,724	7,909	-
Succeeding year	6,451,000	1,045,000	2,157,000	-
Interest and penalty on property tax	44,455	-	-	-
Accounts	121,749	1,584	-	127,582
Accrued interest	20,321	-	-	-
Due from other governments	358,789	5,947	34,972	395,366
Inventories	-	-	-	813,587
<b>Total assets</b>	<b>\$ 15,357,367</b>	<b>\$ 2,784,013</b>	<b>\$ 2,806,778</b>	<b>\$ 2,245,677</b>

<u>Nonmajor</u>	<u>Total</u>
\$ 434,114	\$ 12,023,146
593	28,044
240,000	9,893,000
-	44,455
546	251,461
144	20,465
-	795,074
-	813,587
<u>\$ 675,397</u>	<u>\$ 23,869,232</u>

MARION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 204,075	\$ 177,702	\$ 1,846	\$ 213,926
Salaries and benefits payable	224,490	1,548	20,503	105,209
Due to other governments (note 6)	-	417,553	-	-
Deferred revenue:				
Succeeding year property tax	6,451,000	1,045,000	2,157,000	-
Other	59,763	2,586	7,660	146,291
<b>Total liabilities</b>	<b>6,939,328</b>	<b>1,644,389</b>	<b>2,187,009</b>	<b>465,426</b>
<b>Fund balances:</b>				
Nonspendable:				
Inventories	-	-	-	813,587
Restricted for:				
Supplemental levy purposes	2,819,529	-	239,185	-
Local option sales and services tax	270,090	-	-	-
Courthouse security	66,356	-	-	-
Mental health purposes	-	1,139,624	-	-
Rural services purposes	-	-	380,584	-
Secondary roads purposes	-	-	-	966,664
Conservation purposes	513,740	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility maintenance	3,411	-	-	-
Sheriff's reserve officers	22,481	-	-	-
Unassigned	4,722,432	-	-	-
<b>Total fund balances</b>	<b>8,418,039</b>	<b>1,139,624</b>	<b>619,769</b>	<b>1,780,251</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,357,367</b>	<b>\$ 2,784,013</b>	<b>\$ 2,806,778</b>	<b>\$ 2,245,677</b>

See notes to financial statements.

	<u>Nonmajor</u>	<u>Total</u>
\$	-	\$ 597,549
	-	351,750
	-	417,553
	240,000	9,893,000
	563	216,863
	<u>240,563</u>	<u>11,476,715</u>
	-	813,587
	-	3,058,714
	-	270,090
	-	66,356
	-	1,139,624
	-	380,584
	-	966,664
	354,496	868,236
	44,037	44,037
	36,301	36,301
	-	3,411
	-	22,481
	-	4,722,432
	<u>434,834</u>	<u>12,392,517</u>
\$	<u>675,397</u>	<u>\$ 23,869,232</u>

## MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

Total fund balances of governmental funds	\$ 12,392,517
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$46,463,637 and the accumulated depreciation is \$18,953,543.	27,510,094
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	216,863
The Internal Service Funds are used by management to charge the costs of the self funding of the County's dental insurance benefit plan to individual funds and to account for the County's health and vision insurance and flexible benefits plan. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	1,352
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,953)
Long-term liabilities, including early retirement payable, bonds payable, compensated absences payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,356,653)</u>
Net assets of governmental activities	<u>\$ 34,750,220</u>

See notes to financial statements.

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MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 7,159,054	\$ 934,752	\$ 2,247,423	\$ -
Interest and penalty on property tax	106,281	-	-	-
Intergovernmental	2,484,030	1,018,817	81,891	3,900,466
Licenses and permits	24,685	-	-	6,732
Charges for service	1,066,435	-	-	121,419
Use of money and property	170,315	-	-	-
Miscellaneous	181,543	4,543	1	509,360
<b>Total revenues</b>	<b>11,192,343</b>	<b>1,958,112</b>	<b>2,329,315</b>	<b>4,537,977</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	3,002,122	-	144,893	-
Physical health and social services	2,516,784	-	-	-
Mental health	-	2,460,887	-	-
County environment and education	1,189,439	-	300,804	-
Roads and transportation	347,828	-	278,973	6,138,105
Government services to residents	609,013	-	1,964	-
Administration	2,086,466	-	-	-
Debt service	10,495	-	-	-
Capital projects	760,883	-	-	251,599
<b>Total expenditures</b>	<b>10,523,030</b>	<b>2,460,887</b>	<b>726,634</b>	<b>6,389,704</b>
Excess (deficiency) of revenues over (under) expenditures	669,313	(502,775)	1,602,681	(1,851,727)
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	6,379
Interfund transfers in (note 4)	-	-	-	1,560,179
Interfund transfers out (note 4)	(300,000)	-	(1,560,179)	-
<b>Total other financing sources (uses)</b>	<b>(300,000)</b>	<b>-</b>	<b>(1,560,179)</b>	<b>1,566,558</b>

	<u>Nonmajor</u>	<u>Total</u>
\$	239,949	\$ 10,581,178
	-	106,281
	27,296	7,512,500
	-	31,417
	6,464	1,194,318
	669	170,984
	3,560	699,007
	<u>277,938</u>	<u>20,295,685</u>
	15,607	3,162,622
	-	2,516,784
	-	2,460,887
	-	1,490,243
	-	6,764,906
	12,086	623,063
	-	2,086,466
	538,949	549,444
	281,566	1,294,048
	<u>848,208</u>	<u>20,948,463</u>
	(570,270)	(652,778)
	-	6,379
	300,000	1,860,179
	-	(1,860,179)
	<u>300,000</u>	<u>6,379</u>

MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 369,313	\$ (502,775)	\$ 42,502	\$ (285,169)
Fund balances beginning of year, as restated (note 14)	8,048,726	1,642,399	577,267	2,065,420
Fund balances end of year	<u>\$ 8,418,039</u>	<u>\$ 1,139,624</u>	<u>\$ 619,769</u>	<u>\$ 1,780,251</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ (270,270)	\$ (646,399)
<u>705,104</u>	<u>13,038,916</u>
<u>\$ 434,834</u>	<u>\$ 12,392,517</u>

## MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (646,399)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

	Expenditures for capital assets	\$ 1,347,463	
Capital assets contributed by the Iowa Department of Transportation		1,699,000	
Depreciation expense		<u>(2,001,044)</u>	1,045,419

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

	Property tax	(1,249)	
Other		<u>147,562</u>	146,313

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 360,000

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

	Early retirement	(7,790)	
Compensated absences		53,389	
Net OPEB liability		(39,185)	
Interest on long-term debt		<u>2,922</u>	9,336

The Internal Service Funds are used by management to charge the costs of  
the self funding of the County's dental insurance benefit plan to individual  
funds and to account for the costs of the County's health and vision  
insurance and flexible benefits plan. The change in net assets of the  
Internal Service Fund is reported with governmental activities. (15,846)

Change in net assets of governmental activities \$ 898,823

See notes to financial statements.

MARION COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ <u>18,690</u>
Liabilities	
Accounts payable	1,338
Claims incurred but not reported	<u>16,000</u>
Total liabilities	<u>17,338</u>
Net Assets	
Unrestricted	\$ <u><u>1,352</u></u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	<u>Internal Service Funds</u>
Operating revenues:	
Contributions	\$ <u>1,422,648</u>
Operating expenses:	
Claims	179,084
Insurance premiums	1,252,063
Administrative fees	<u>7,383</u>
Total operating expenses	<u>1,438,530</u>
Operating loss	(15,882)
Non-operating revenues:	
Interest on investments	<u>36</u>
Net loss	(15,846)
Net assets beginning of year	<u>17,198</u>
Net assets end of year	<u>\$ <u>1,352</u></u>

See notes to financial statements.

MARION COUNTY  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2011

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received for contributions	\$ 1,422,648
Cash payments for claims	(176,876)
Cash payments for insurance premiums	(1,250,400)
Cash payments for fees and other expenses	<u>(7,352)</u>
Net cash used in operating activities	<u>(11,980)</u>
Cash flows from investing activities:	
Interest on investments	<u>36</u>
Net decrease in cash and cash equivalents	(11,944)
Cash and cash equivalents beginning of year	<u>30,634</u>
Cash and cash equivalents end of year	<u>\$ 18,690</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (15,882)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in prepaid expenses	1,663
(Decrease) in accounts payable	(761)
Increase in claims incurred but not reported	<u>3,000</u>
Net cash used in operating activities	<u>\$ (11,980)</u>

See notes to financial statements.

MARION COUNTY  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2011

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,878,247
Other County officials (note 3)	241,517
Receivables:	
Property tax:	
Delinquent	65,917
Succeeding year	28,910,000
Accounts	51,187
Accrued interest	71
Due from other governments	<u>87,053</u>
Total assets	<u>\$ 31,233,992</u>
Liabilities	
Accounts payable	\$ 91,492
Salaries and benefits payable	16,843
Due to other governments (note 6)	30,780,977
Trusts payable	332,465
Compensated absences	<u>12,215</u>
Total liabilities	<u>\$ 31,233,992</u>

See notes to financial statements.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Marion County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marion County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, and Marion County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles	\$ 250,000
Infrastructure	250,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	10-65
Equipment	3-20
Vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted prior to amending the budget in the mental health function and disbursements in the mental health and medical examiner departments exceeded the amounts appropriated prior to amending the appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 3. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2011:

Office:

County Auditor:			
Office fees	\$	45	
Cemetery trusts		<u>3,825</u>	\$ 3,870
County Recorder:			
Office fees			36,847
County Sherriff:			
Office fees			41,453
Board of Supervisors:			
Knoxville Congregate Meals Trust		158,851	
Senior Activity Trust		<u>496</u>	<u>159,347</u>
			\$ <u><u>241,517</u></u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,560,179
Debt Service	General	<u>300,000</u>
		\$ <u><u>1,860,179</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 300,281	\$ -	\$ -	\$ 300,281
Capital assets being depreciated:				
Buildings	13,921,116	855,761	-	14,776,877
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	9,724,568	491,702	127,194	10,089,076
Infrastructure	19,346,416	1,699,000	-	21,045,416
Total capital assets being depreciated	<u>43,244,087</u>	<u>3,046,463</u>	<u>127,194</u>	<u>46,163,356</u>
Less accumulated depreciation for:				
Buildings	3,223,658	383,508	-	3,607,166
Improvements other than buildings	157,884	11,186	-	169,070
Machinery and equipment	7,550,053	663,257	127,194	8,086,116
Infrastructure	6,148,098	943,093	-	7,091,191
Total accumulated depreciation	<u>17,079,693</u>	<u>2,001,044</u>	<u>127,194</u>	<u>18,953,543</u>
Total capital assets being depreciated, net	<u>26,164,394</u>	<u>1,045,419</u>	<u>-</u>	<u>27,209,813</u>
Governmental activities capital assets, net	<u>\$ 26,464,675</u>	<u>\$ 1,045,419</u>	<u>\$ -</u>	<u>\$ 27,510,094</u>

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	243,486
Physical health and social services		65,896
County environment and education		88,046
Roads and transportation		1,356,859
Government services to residents		49,482
Administration		<u>197,275</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>2,001,044</u></u>

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>417,553</u></u>
Agency:		
County Assessor	Collections	\$ 746,563
Area Schools		678,432
Schools		18,214,890
Corporations		9,378,780
Townships		483,076
Auto License and Use Tax		714,487
All Other		<u>564,749</u>
 Total for agency funds		 \$ <u><u>30,780,977</u></u>

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Early Retirement	General Obligation County Building and Refunding Bonds	General Obligation Law Enforcement Center Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 11,593	\$ 1,020,000	\$ 4,100,000	\$ 511,659	\$ 79,815	\$ 5,723,067
Increases	17,344	-	-	458,270	39,185	514,799
Decreases	9,554	140,000	220,000	511,659	-	881,213
Balance end of year	<u>\$ 19,383</u>	<u>\$ 880,000</u>	<u>\$ 3,880,000</u>	<u>\$ 458,270</u>	<u>\$ 119,000</u>	<u>\$ 5,356,653</u>
Due within one year	<u>\$ 14,825</u>	<u>\$ 145,000</u>	<u>\$ 230,000</u>	<u>\$ 458,270</u>	<u>\$ -</u>	<u>\$ 848,095</u>

Early Retirement

The County offers an early retirement plan to all employees who qualify for full retirement benefits under the Iowa Public Employees Retirement System.

The early retirement benefit for each employee is 50% of the employee's accumulated sick leave to be applied to future health insurance coverage under the County's health insurance plan until the employee reaches age 65. The employee may only continue the plan benefits in effect at the time of retirement.

Employees who retire after reaching age 65 and are not eligible to continue on the County's health insurance plan may receive a lump sum payment of one-half of their unused sick leave at the date of their retirement.

At June 30, 2011, the County had obligations to four participants with a total liability of \$19,383. Early retirement expenditures for the year totaled \$9,554. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements. Early retirement benefits will be paid by the General Fund and the Special Revenue Fund, Secondary Roads.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

General Obligation County Building and Refunding Bonds

Details of the County's June 30, 2011 general obligation County building and refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	1.30 %	\$ 145,000	\$ 19,665	\$ 164,665
2013	1.70	150,000	17,780	167,780
2014	2.00	150,000	15,230	165,230
2015	2.25	80,000	12,230	92,230
2016	2.50	85,000	10,430	95,430
2017	2.80	85,000	8,305	93,305
2018	3.10	90,000	5,925	95,925
2019	3.30	95,000	3,135	98,135
		<u>\$ 880,000</u>	<u>\$ 92,700</u>	<u>\$ 972,700</u>

General Obligation Law Enforcement Center Bonds

Details of the County's June 30, 2011 general obligation law enforcement center bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.25 %	\$ 230,000	\$ 147,770	\$ 377,770
2013	3.30	240,000	140,295	380,295
2014	3.40	250,000	132,375	382,375
2015	3.50	260,000	123,875	383,875
2016	3.60	270,000	114,775	384,775
2017	3.70	285,000	105,055	390,055
2018	3.80	295,000	94,510	389,510
2019	3.90	310,000	83,300	393,300
2020	4.00	325,000	71,210	396,210
2021	4.00	340,000	58,210	398,210
2022	4.10	355,000	44,610	399,610
2023	4.15	370,000	30,055	400,055
2024	4.20	350,000	14,700	364,700
		<u>\$ 3,880,000</u>	<u>\$ 1,160,740</u>	<u>\$ 5,040,740</u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Non-current Interfund Loan

The General Supplemental Fund account within the General Fund loaned the General Basic Fund account within the General Fund \$1,000,000 on June 30, 2004 to help temporarily finance the courthouse roof repair project. The loan will be paid back to the General Supplemental Fund over a 10 year period at 2% interest. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected on the face of the financial statements. Payments on the loan during the year ended June 30, 2011, totaled \$100,832 leaving a balance of \$423,901 at June 30, 2011.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 142 active and 5 retired members in the plan.

The medical/prescription drug coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 69,103
Interest on net OPEB obligation	3,592
Adjustment to annual required contribution	<u>(4,689)</u>
Annual OPEB cost	68,006
Contributions made	<u>28,821</u>
Increase in net OPEB obligation	39,185
Net OPEB obligation beginning of year	<u>79,815</u>
Net OPEB obligation end of year	<u><u>\$ 119,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 8. Other Postemployment Benefits (OPEB) (continued)

For the year ended June 30, 2011, the County contributed \$28,821 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 68,006	42.4%	\$ 119,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$502,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$502,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,750,000 and the ratio of the UAAL to covered payroll was 7.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from scale T-9 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$692 per month for retirees less than age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

## MARION COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

#### Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$504,603, \$457,241 and \$422,562, respectively, equal to the required contributions for each year.

#### Note 10. Risk Management

Marion County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$273,743.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 10. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000 (\$150,000 for County Treasurer), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Marion County Employee Dental Insurance Plan

Marion County has an administrative services agreement with Delta Dental to administer the self-funded employee dental benefit plan. Monthly payments of service fees and contributions to fund the plans are paid to the Marion County Auditor, trustee for the plan. The monthly payments of service fees and plan contributions are recorded as expenditures at the time of the payment to the trustee. Under the agreement, payments for service fees and paid claims are remitted to Delta Dental on a weekly basis. The County assumes liability for dental claims up to \$1,000 per person per year and up to a maximum benefit carry over of \$1,000 per person for any unused benefit. The County also assumes liability for orthodontics claims up to a lifetime maximum of \$1,000 per person.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 10. Risk Management (continued)

Marion County Employee Dental Insurance Plan (continued)

Amounts payable from the Internal Service, Self-Funded Dental Insurance Fund at June 30, 2011 include \$16,719 for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 14,511
Incurred claims and claim adjustments	109,364
Claims paid	<u>107,156</u>
Unpaid claims at June 30, 2011	<u>\$ 16,719</u>

Note 11. Construction Commitment

The County has entered into a contract totaling \$160,677 for culvert repairs. As of June 30, 2011, costs of \$130,514 have been incurred against the contract. The balance remaining at June 30, 2011 of \$30,163 will be paid as work on the project progresses.

Note 12. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,316,140. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2011, has \$2,340,740 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2011.

Litigation

The County is involved in one ongoing lawsuit. The County's insurance carrier is affording coverage for this lawsuit.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 13. Subsequent Events

On August 22, 2011, the County approved a contract totaling \$616,006 for a road surface improvement project.

On November 30, 2011, the County approved a loan totaling \$619,168 from the General Basic Fund to the Special Revenue Fund, Secondary Roads for the purpose of paying for the costs of roadway construction projects. The loan is payable over three years and includes interest at 0.5%.

On January 9, 2012, the County approved the future issuance of \$3,575,000 in general obligation refunding bonds. The bonds will be used to advance refund the March 15, 2005 general obligation law enforcement center bonds.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Balances June 30, 2010 as Previously Reported	Change in Fund Type Classification per Implementation of GASB Statement No. 54	Balances July 1, 2010 as Restated
General Fund	\$ 6,775,593	\$ 1,273,133	\$ 8,048,726
Nonmajor Special Revenue Funds:			
Emergency Medical Service	19,869	(19,869)	-
Conservation Land Acquisition	514,298	(514,298)	-
County Government Assistance	68,458	(68,458)	-
Local Option Sales and Services Tax	590,700	(590,700)	-
Sheriff's Reserve Officer	25,909	(25,909)	-
Care Facility Maintenance	4,777	(4,777)	-
Courthouse Security	49,122	(49,122)	-
	<u>\$ 8,048,726</u>	<u>\$ -</u>	<u>\$ 8,048,726</u>

**Required Supplementary Information**

MARION COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2011

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 10,508,662	\$ 10,464,265	\$ 10,464,265	\$ 44,397
Interest and penalty on property tax	106,902	-	-	106,902
Intergovernmental	7,534,295	6,639,597	8,338,823	(804,528)
Licenses and permits	31,715	33,310	35,610	(3,895)
Charges for service	1,181,366	1,019,600	1,010,500	170,866
Use of money and property	175,781	213,245	213,245	(37,464)
Miscellaneous	579,715	470,682	471,682	108,033
Total receipts	<u>20,118,436</u>	<u>18,840,699</u>	<u>20,534,125</u>	<u>(415,689)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	3,141,481	3,347,356	3,492,860	351,379
Physical health and social services	2,507,106	2,546,459	2,736,836	229,730
Mental health	2,247,411	2,054,572	2,250,572	3,161
County environment and education	1,476,748	1,307,884	1,602,884	126,136
Roads and transportation	6,673,032	6,080,592	7,176,892	503,860
Government services to residents	623,520	711,411	726,626	103,106
Administration	2,099,686	2,227,644	2,275,869	176,183
Debt service	549,444	557,855	557,855	8,411
Capital projects	1,262,228	2,064,775	2,211,889	949,661
Total disbursements	<u>20,580,656</u>	<u>20,898,548</u>	<u>23,032,283</u>	<u>2,451,627</u>
Excess (deficiency) of receipts over (under) disbursements	(462,220)	(2,057,849)	(2,498,158)	2,035,938
Other financing sources, net	<u>6,379</u>	<u>751,000</u>	<u>751,000</u>	<u>(744,621)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(455,841)	(1,306,849)	(1,747,158)	1,291,317
Balance beginning of year	<u>12,478,987</u>	<u>11,046,813</u>	<u>11,046,813</u>	<u>1,432,174</u>
Balance end of year	<u>\$ 12,023,146</u>	<u>\$ 9,739,964</u>	<u>\$ 9,299,655</u>	<u>\$ 2,723,491</u>

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,118,436	\$ 177,249	\$ 20,295,685
Expenditures	20,580,656	367,807	20,948,463
Net	(462,220)	(190,558)	(652,778)
Other financing sources, net	6,379	-	6,379
Beginning fund balances	12,478,987	559,929	13,038,916
Ending fund balances	<u>\$ 12,023,146</u>	<u>\$ 369,371</u>	<u>\$ 12,392,517</u>

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$2,133,735. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the mental health function prior to amendment of the budget and disbursements in the mental health and medical examiner departments exceeded the amounts appropriated prior to amending the appropriations.

MARION COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 502	\$ 502	0.0%	\$ 6,303	8.0%
2010	July 1, 2008	-	502	502	0.0%	6,500	7.7%
2011	July 1, 2008	-	502	502	0.0%	6,750	7.4%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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## Other Supplementary Information

MARION COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
<b>Assets</b>				
Cash and pooled investments	\$ 27,317	\$ 354,404	\$ 4,925	\$ 3,506
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	546	-	-	-
Accrued interest	7	92	-	-
Total assets	\$ 27,870	\$ 354,496	\$ 4,925	\$ 3,506
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	-	-	-	-
<b>Fund balances:</b>				
Restricted for:				
Records management purposes	27,870	-	-	-
Resource enhancement and protection	-	354,496	-	-
Public safety purposes	-	-	4,925	3,506
Debt service	-	-	-	-
Total fund balances	27,870	354,496	4,925	3,506
Total liabilities and fund balances	\$ 27,870	\$ 354,496	\$ 4,925	\$ 3,506

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 43,962	\$ 434,114
593	593
240,000	240,000
-	546
45	144
\$ 284,600	\$ 675,397

\$ 240,000	\$ 240,000
563	563
240,563	240,563

-	27,870
-	354,496
-	8,431
44,037	44,037
44,037	434,834
\$ 284,600	\$ 675,397

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
<b>Revenues:</b>				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	19,530	-	-
Charges for service	6,464	-	-	-
Use of money and property	41	480	-	-
Miscellaneous	-	-	1,920	1,640
<b>Total revenues</b>	<b>6,505</b>	<b>20,010</b>	<b>1,920</b>	<b>1,640</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	15,607	-
Government services to residents	12,086	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total expenditures</b>	<b>12,086</b>	<b>-</b>	<b>15,607</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(5,581)	20,010	(13,687)	1,640
Other financing sources:				
Interfund transfers in	-	-	-	-
Net change in fund balances	(5,581)	20,010	(13,687)	1,640
Fund balances beginning of year	33,451	334,486	18,612	1,866
Fund balances end of year	\$ 27,870	\$ 354,496	\$ 4,925	\$ 3,506

See accompanying independent auditor's report.

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	239,949	\$ -	\$ 239,949
	7,766	-	27,296
	-	-	6,464
	148	-	669
	-	-	3,560
	<u>247,863</u>	<u>-</u>	<u>277,938</u>
	-	-	15,607
	-	-	12,086
	538,949		538,949
	-	281,566	281,566
	<u>538,949</u>	<u>281,566</u>	<u>848,208</u>
	(291,086)	(281,566)	(570,270)
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
	8,914	(281,566)	(270,270)
	<u>35,123</u>	<u>281,566</u>	<u>705,104</u>
\$	<u><u>44,037</u></u>	\$ <u><u>-</u></u>	\$ <u><u>434,834</u></u>

MARION COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2011

	<u>Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Vision Insurance</u>	<u>Flexible Benefits Plan</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 218	\$ 3,900	\$ 5,486	\$ 9,086	\$ 18,690
<b>Liabilities</b>					
Accounts payable	-	1,338	-	-	1,338
Claims incurred but not reported	-	16,000	-	-	16,000
Total liabilities	-	17,338	-	-	17,338
<b>Net Assets</b>					
Unrestricted	\$ 218	\$ (13,438)	\$ 5,486	\$ 9,086	\$ 1,352

See accompanying independent auditor's report.

MARION COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2011

	<u>Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Vision Insurance</u>	<u>Flexible Benefits Plan</u>	<u>Total</u>
Operating revenues:					
Contributions	\$ 1,231,889	\$ 101,298	\$ 20,227	\$ 69,234	\$ 1,422,648
Operating expenses:					
Claims	-	109,364	-	69,720	179,084
Insurance premiums	1,231,912	-	20,151	-	1,252,063
Administrative fees	-	7,383	-	-	7,383
Total operating expenses	<u>1,231,912</u>	<u>116,747</u>	<u>20,151</u>	<u>69,720</u>	<u>1,438,530</u>
Operating income (loss)	(23)	(15,449)	76	(486)	(15,882)
Non-operating revenues:					
Interest on investments	-	36	-	-	36
Net income (loss)	(23)	(15,413)	76	(486)	(15,846)
Net assets beginning of year	<u>241</u>	<u>1,975</u>	<u>5,410</u>	<u>9,572</u>	<u>17,198</u>
Net assets end of year	<u>\$ 218</u>	<u>\$ (13,438)</u>	<u>\$ 5,486</u>	<u>\$ 9,086</u>	<u>\$ 1,352</u>

See accompanying independent auditor's report.

MARION COUNTY  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2011

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Cash flows from operating activities:					
Cash received for contributions	\$ 1,231,889	\$ 101,298	\$ 20,227	\$ 69,234	\$ 1,422,648
Cash payments for claims	-	(107,156)	-	(69,720)	(176,876)
Cash payments for insurance premiums	(1,231,912)	-	(18,488)	-	(1,250,400)
Cash payments for fees and other expenses	-	(7,352)	-	-	(7,352)
Net cash provided by (used in) operating activities	(23)	(13,210)	1,739	(486)	(11,980)
Cash flows from investing activities:					
Interest on investments	-	36	-	-	36
Net increase (decrease) in cash and cash equivalents	(23)	(13,174)	1,739	(486)	(11,944)
Cash and cash equivalents beginning of year	241	17,074	3,747	9,572	30,634
Cash and cash equivalents end of year	\$ 218	\$ 3,900	\$ 5,486	\$ 9,086	\$ 18,690
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (23)	\$ (15,449)	\$ 76	\$ (486)	\$ (15,882)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Decrease in prepaid expenses	-	-	1,663	-	1,663
(Decrease) in accounts payable	-	(761)	-	-	(761)
Increase in claims incurred but not reported	-	3,000	-	-	3,000
Net cash provided by (used in) operating activities	\$ (23)	\$ (13,210)	\$ 1,739	\$ (486)	\$ (11,980)

See accompanying independent auditor's report.

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MARION COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	3,870	36,847	41,453	158,851
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	868	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 3,870</b>	<b>\$ 37,715</b>	<b>\$ 41,453</b>	<b>\$ 158,851</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 45	\$ 17,582	\$ 6,370	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	20,133	-	-
Trusts payable	3,825	-	35,083	158,851
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>\$ 3,870</b>	<b>\$ 37,715</b>	<b>\$ 41,453</b>	<b>\$ 158,851</b>

<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>
\$ -	\$ 3,224	\$ 352,711	\$ 9,694	\$ 278,351	\$ 116,840	\$ 167,309
496	-	-	-	-	-	-
-	581	1,049	1,738	47,539	12,940	-
-	223,000	402,000	667,000	17,889,000	9,249,000	-
-	-	-	-	-	-	34,958
-	-	-	-	-	-	52
-	-	-	-	-	-	10,964
<u>\$ 496</u>	<u>\$ 226,805</u>	<u>\$ 755,760</u>	<u>\$ 678,432</u>	<u>\$ 18,214,890</u>	<u>\$ 9,378,780</u>	<u>\$ 213,283</u>
\$ -	\$ -	\$ 123	\$ -	\$ -	\$ -	\$ 4,030
-	-	6,778	-	-	-	338
-	226,805	746,563	678,432	18,214,890	9,378,780	208,915
496	-	-	-	-	-	-
-	-	2,296	-	-	-	-
<u>\$ 496</u>	<u>\$ 226,805</u>	<u>\$ 755,760</u>	<u>\$ 678,432</u>	<u>\$ 18,214,890</u>	<u>\$ 9,378,780</u>	<u>\$ 213,283</u>

MARION COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	Veteran Affairs	Townships	City Special Assessments	Auto License and Use Tax
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 449	\$ 8,021	\$ 4,717	\$ 714,487
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	2,055	-	-
Succeeding year	-	473,000	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 449	\$ 483,076	\$ 4,717	\$ 714,487
 <b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	449	483,076	4,717	714,487
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	\$ 449	\$ 483,076	\$ 4,717	\$ 714,487

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Title III</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>
\$ 59	\$ 4,213	\$ 59	\$ 58,497	\$ 71,213	\$ 9,452
-	-	-	-	-	-
9	-	6	-	-	-
4,000	-	3,000	-	-	-
-	-	-	-	2,962	2,694
-	-	-	-	-	-
-	36,089	-	-	-	-
<u>\$ 4,068</u>	<u>\$ 40,302</u>	<u>\$ 3,065</u>	<u>\$ 58,497</u>	<u>\$ 74,175</u>	<u>\$ 12,146</u>
\$ -	\$ 25,078	\$ -	\$ 612	\$ 606	\$ 5,094
-	7,762	-	1,965	-	-
4,068	2,522	3,065	50,941	-	-
-	-	-	-	73,569	7,052
-	4,940	-	4,979	-	-
<u>\$ 4,068</u>	<u>\$ 40,302</u>	<u>\$ 3,065</u>	<u>\$ 58,497</u>	<u>\$ 74,175</u>	<u>\$ 12,146</u>

MARION COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	Recorder's Electronic Transaction Fee	Advance Tax Payments	Public Transportation	Local Option Sales and Services Tax
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 1,442	\$ 23,648	\$ 53,802	\$ -
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	1,614	-	8,091	-
Accrued interest	19	-	-	-
Due from other governments	-	-	-	40,000
	<u>\$ 3,075</u>	<u>\$ 23,648</u>	<u>\$ 61,893</u>	<u>\$ 40,000</u>
<b>Total assets</b>	<u>\$ 3,075</u>	<u>\$ 23,648</u>	<u>\$ 61,893</u>	<u>\$ 40,000</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 31,952	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	3,075	-	-	40,000
Trusts payable	-	23,648	29,941	-
Compensated absences	-	-	-	-
	<u>\$ 3,075</u>	<u>\$ 23,648</u>	<u>\$ 61,893</u>	<u>\$ 40,000</u>
<b>Total liabilities</b>	<u>\$ 3,075</u>	<u>\$ 23,648</u>	<u>\$ 61,893</u>	<u>\$ 40,000</u>

See accompanying independent auditor's report.

	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
\$	59	\$ 1,878,247
	-	241,517
	-	65,917
	-	28,910,000
	-	51,187
	-	71
	-	87,053
	<u>59</u>	<u>\$ 31,233,992</u>
\$	-	\$ 91,492
	-	16,843
	59	30,780,977
	-	332,465
	-	12,215
	<u>59</u>	<u>\$ 31,233,992</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	County Offices			Board of
	County Auditor	County Recorder	County Sheriff	Supervisors Congregate Meals
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 3,885	\$ 44,088	\$ 42,291	\$ 158,296
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	709	439,469	449,501	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	55	-	495,390	555
Emergency management performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	764	439,469	944,891	555
Deductions:				
Agency remittances:				
To other funds	724	225,970	437,772	-
To other governments	-	219,872	12,782	-
Trusts paid out	55	-	495,175	-
Total deductions	779	445,842	945,729	-
Balances end of year	\$ 3,870	\$ 37,715	\$ 41,453	\$ 158,851

<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>
\$ 223	\$ 206,881	\$ 660,969	\$ 622,997	\$ 17,408,313	\$ 9,000,284	\$ 195,332
-	223,627	403,169	668,283	17,929,100	9,187,988	-
-	6,823	13,849	20,517	588,735	212,254	-
-	-	-	-	-	-	-
-	95	193	287	53,390	7,665	-
-	-	-	-	-	-	200,370
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,127	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	262
-	-	2,225	-	-	-	1,177
<u>3,127</u>	<u>230,545</u>	<u>419,436</u>	<u>689,087</u>	<u>18,571,225</u>	<u>9,407,907</u>	<u>201,809</u>
-	-	-	-	-	-	-
-	210,621	324,645	633,652	17,764,648	9,029,411	183,858
2,854	-	-	-	-	-	-
<u>2,854</u>	<u>210,621</u>	<u>324,645</u>	<u>633,652</u>	<u>17,764,648</u>	<u>9,029,411</u>	<u>183,858</u>
\$ <u>496</u>	\$ <u>226,805</u>	\$ <u>755,760</u>	\$ <u>678,432</u>	\$ <u>18,214,890</u>	\$ <u>9,378,780</u>	\$ <u>213,283</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	Veteran Affairs	Townships	City Special Assessments	Auto License and Use Tax
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 448	\$ 459,607	\$ 10,266	\$ 685,853
<b>Additions:</b>				
Property and other County tax	-	476,395	-	-
State tax credits	-	18,407	-	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	6,892	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	8,059,178
Assessments	-	-	28,333	-
Trusts	-	-	-	-
Emergency management performance grants	-	-	-	-
Interest	1	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>1</u>	<u>501,694</u>	<u>28,333</u>	<u>8,059,178</u>
<b>Deductions:</b>				
<b>Agency remittances:</b>				
To other funds	-	-	-	308,767
To other governments	-	478,225	33,882	7,721,777
Trusts paid out	-	-	-	-
Total deductions	<u>-</u>	<u>478,225</u>	<u>33,882</u>	<u>8,030,544</u>
Balances end of year	<u>\$ 449</u>	<u>\$ 483,076</u>	<u>\$ 4,717</u>	<u>\$ 714,487</u>

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>
\$ 4,057	\$ 29,724	\$ -	\$ 3,037	\$ 68,497	\$ 60,281	\$ 11,279
3,712	-	-	3,125	-	-	-
124	-	-	132	-	-	-
-	-	-	-	-	-	-
2	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	333,111	675,276	-	-	25,059	26,069
-	-	-	-	19,320	-	-
-	-	-	-	-	-	-
-	-	-	-	84,377	-	-
<u>3,838</u>	<u>333,111</u>	<u>675,276</u>	<u>3,257</u>	<u>103,697</u>	<u>25,059</u>	<u>26,069</u>
-	-	-	-	-	-	-
3,827	-	-	3,229	113,697	-	-
-	322,533	675,276	-	-	11,165	25,202
<u>3,827</u>	<u>322,533</u>	<u>675,276</u>	<u>3,229</u>	<u>113,697</u>	<u>11,165</u>	<u>25,202</u>
\$ <u>4,068</u>	\$ <u>40,302</u>	\$ <u>-</u>	\$ <u>3,065</u>	\$ <u>58,497</u>	\$ <u>74,175</u>	\$ <u>12,146</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	Recorder's Electronic Transaction Fee	Advance Tax Payments	Public Transportation	Local Option Sales and Services Tax
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 3,086	\$ 39,949	\$ 64,731	\$ 40,000
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options sales and services tax	-	-	-	260,000
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	19,194	-	-	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	17,707	244,866	-
Emergency management performance grants	-	-	-	-
Interest	19	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>19,213</u>	<u>17,707</u>	<u>244,866</u>	<u>260,000</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	19,224	-	-	260,000
Trusts paid out	-	34,008	247,704	-
Total deductions	<u>19,224</u>	<u>34,008</u>	<u>247,704</u>	<u>260,000</u>
Balances end of year	<u>\$ 3,075</u>	<u>\$ 23,648</u>	<u>\$ 61,893</u>	<u>\$ 40,000</u>

See accompanying independent auditor's report.

<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
\$ <u>25</u>	\$ <u>29,824,399</u>
-	28,895,399
-	860,841
-	260,000
-	68,524
-	200,370
-	908,873
-	8,059,178
-	28,333
-	1,821,215
-	19,320
-	282
<u>371</u>	<u>88,150</u>
<u>371</u>	<u>41,210,485</u>
-	973,233
337	37,013,687
-	1,813,972
<u>337</u>	<u>39,800,892</u>
<u>\$ 59</u>	<u>\$ 31,233,992</u>

MARION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other County tax	\$ 10,581,178	\$ 10,134,344	\$ 9,768,915	\$ 9,189,865
Interest and penalty on property tax	106,281	95,927	94,916	95,094
Intergovernmental	7,512,500	7,821,660	8,805,960	6,789,833
Licenses and permits	31,417	32,524	18,115	16,897
Charges for service	1,194,318	1,197,183	1,160,761	1,912,090
Use of money and property	170,984	168,061	206,243	395,560
Miscellaneous	699,007	444,028	435,436	620,346
<b>Total</b>	<b>\$ 20,295,685</b>	<b>\$ 19,893,727</b>	<b>\$ 20,490,346</b>	<b>\$ 19,019,685</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 3,162,622	\$ 3,029,931	\$ 3,015,604	\$ 2,837,709
Physical health and social services	2,516,784	2,364,667	2,347,248	2,354,699
Mental health	2,460,887	2,418,348	2,278,438	2,885,427
County environment and education	1,490,243	1,246,594	1,205,327	1,167,909
Roads and transportation	6,764,906	5,850,704	6,348,573	5,701,926
Government services to residents	623,063	596,528	625,144	523,828
Administration	2,086,466	2,101,628	2,099,462	1,991,003
Debt service	549,444	728,109	465,829	459,716
Capital projects	1,294,048	714,991	574,977	658,409
<b>Total</b>	<b>\$ 20,948,463</b>	<b>\$ 19,051,500</b>	<b>\$ 18,960,602</b>	<b>\$ 18,580,626</b>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	9,274,345	\$ 8,916,108	\$ 8,611,535
	92,313	82,702	81,839
	5,858,139	6,049,533	6,139,309
	15,643	18,383	14,938
	1,627,868	1,449,997	1,439,528
	388,924	387,617	137,568
	404,097	599,682	440,403
	<u>\$ 17,661,329</u>	<u>\$ 17,504,022</u>	<u>\$ 16,865,120</u>
\$	2,494,360	\$ 2,250,878	\$ 2,033,900
	1,905,738	1,900,406	2,226,147
	2,679,212	2,412,897	2,226,239
	1,109,158	1,023,321	958,101
	5,595,033	5,393,024	4,590,995
	514,848	744,153	502,958
	1,842,881	1,967,014	1,712,002
	463,023	579,104	159,265
	2,396,298	3,800,454	1,809,179
	<u>\$ 19,000,551</u>	<u>\$ 20,071,251</u>	<u>\$ 16,218,786</u>

MARION COUNTY  
 SCHEDULE OF TITLE III ACTIVITY  
 Year Ended June 30, 2011

## Additions:

Special programs for the aging - Title III, Part C nutrition services (noncash)	\$ 16,848	
Special programs for the aging - Title III, Part C nutrition services	109,680	
ARRA - Aging home-delivered nutrition services for states	9,242	
Elderly waiver	20,194	
Donations and contributions	<u>177,147</u>	\$ 333,111

## Deductions:

Salaries and benefits	167,557	
Food and provisions	98,277	
Supplies	1,500	
Travel and training	7,706	
Telephone and utilities	7,676	
Trash removal	1,454	
Rental building	17,400	
Equipment and repair	18,977	
Miscellaneous	<u>1,986</u>	<u>322,533</u>

Net 10,578

Balance beginning of year 29,724

Balance end of year \$ 40,302

See accompanying independent auditor's report.

## MARION COUNTY

SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY  
Year Ended June 30, 2011

## Additions:

Federal Transit Administration - HIRTA	\$ 62,254	
State Transit Administration - HIRTA	19,511	
Grants for Supportive Services and Senior Centers	35,844	
Elderly waiver	13,683	
Senior citizen fares	52,816	
Local contributions from County	36,000	
United Way	7,750	
Miscellaneous	<u>17,008</u>	\$ 244,866

## Deductions:

Wages and benefits	170,974	
Fuel	29,974	
Office supplies	400	
Employee mileage reimbursement	263	
Telephone	550	
Equipment expense	25,514	
Administration	7,000	
Insurance	12,343	
Miscellaneous	<u>686</u>	<u>247,704</u>

Net (2,838)

Balance beginning of year 64,731

Balance end of year \$ 61,893

See accompanying independent auditor's report.

MARION COUNTY

IOWA DEPARTMENT OF PUBLIC HEALTH  
 SCHEDULE OF REVENUES, EXPENDITURES AND BALANCES  
 Year Ended June 30, 2011

	Women, Infants and Children <u>5880AO53</u>	Women, Infants and Children <u>5881AO53</u>	Maternal Child Health <u>5880MH06</u>	Maternal Child Health <u>5881MH06</u>
<b>Revenues:</b>				
Federal	\$ 171,470	\$ 298,733	\$ 29,537	\$ 38,411
State	-	-	-	15,298
Other	-	-	22,073	57,474
<b>Total</b>	<u>171,470</u>	<u>298,733</u>	<u>51,610</u>	<u>111,183</u>
<b>Expenditures:</b>				
Salaries and benefits	46,448	123,693	36,666	92,465
Contracted providers	33,500	70,730	2,456	705
Administration/indirect costs	20,874	38,731	7,710	7,781
Miscellaneous	70,648	65,579	4,778	10,232
<b>Total</b>	<u>171,470</u>	<u>298,733</u>	<u>51,610</u>	<u>111,183</u>
<b>Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Immunization Action Plan <u>5880I488</u>	Immunization Action Plan <u>5881I488</u>	Public Health Emergency Preparedness <u>5880BT205</u>	Public Health Emergency Preparedness <u>5881BT205</u>
\$ 14,216	\$ 5,636	\$ 61,105	\$ 107,758
-	3,750	-	-
-	-	-	-
<u>14,216</u>	<u>9,386</u>	<u>61,105</u>	<u>107,758</u>
6,983	5,891	7,944	70,178
3,504	2,241	375	7,133
1,142	-	5,555	9,796
<u>2,587</u>	<u>1,254</u>	<u>47,231</u>	<u>20,651</u>
<u>14,216</u>	<u>9,386</u>	<u>61,105</u>	<u>107,758</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARION COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>Direct:</b>			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	FY 11	\$ <u>65,003</u>
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5880AO53	171,470
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5881AO53	<u>298,733</u>
			<u>470,203</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 11	<u>9,791</u>
Iowa Department of Agriculture:			
WIC Farmers' Market Nutrition Program	10.572	FY 11	<u>82</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-WS-042	<u>149,738</u>
U.S. Department of Justice:			
Iowa Office of Drug Control Policy:			
Division of Narcotics Enforcement:			
City of Centerville:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FY 11	<u>51,666</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS63(98)	<u>100,404</u>
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 11	<u>62,254</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Transportation (continued):			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	11-410, Task 48	\$ 6,432
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-410, Task 47	<u>1,837</u>
			<u>8,269</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667	FY 11	<u>98,604</u>
Aging Resources of Central Iowa:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C - Nutrition Services (noncash)	93.045	FY 11	16,848
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	FY 10	2,254
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	FY 11	107,426
ARRA - Aging Home-Delivered Nutrition Services for States, Recovery Act	93.705	FY 11	<u>9,242</u>
			<u>135,770</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance Administered State Programs	93.566	FY 11	<u>8</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 11	<u>2,404</u>
Foster Care - Title IV-E	93.658	FY 11	<u>3,894</u>
Adoption Assistance	93.659	FY 11	<u>945</u>
Social Services Block Grant	93.667	FY 11	<u>3,359</u>
Children's Health Insurance Program	93.767	FY 11	<u>46</u>
Medical Assistance Program	93.778	FY 11	<u>9,423</u>

MARION COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT63	\$ 5,558
Public Health Emergency Preparedness	93.069	5880BT205	61,105
Public Health Emergency Preparedness	93.069	5880BT123	1,700
Public Health Emergency Preparedness	93.069	5881BT63	15,793
Public Health Emergency Preparedness	93.069	5881BT205	107,758
Public Health Emergency Preparedness	93.069	5881BT363	3,052
			194,966
Immunization Cluster:			
Immunization Grants	93.268	5881I488	5,636
Immunization Grants	93.268	5880I488	8,792
ARRA - Immunization, Recovery Act	93.712	5880I488	5,424
			19,852
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881NB18	14,430
Maternal and Child Health Services Block Grant to the States	93.994	5881MH06	38,411
Maternal and Child Health Services Block Grant to the States	93.994	5880MH06	29,537
			67,948
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1930	404,451
Emergency Management Performance Grants	97.042	FY 10	19,320
Total			\$ 1,892,830

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon March 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Marion County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marion County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marion County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 5, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Marion County:

Compliance

We have audited the compliance of Marion County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Marion County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Marion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Marion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 5, 2012

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
  - CFDA Number 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion County did not qualify as a low-risk auditee.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-11 Segregation of Duties (continued)

Responses –

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and included in the County’s financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

II-C-11 Improper Payroll Calculations – We noted in our testing of payroll transactions that the County overpaid two employees by a total of \$4,637 and underpaid eight employees by a total of \$13,125 for a net payroll underpayment of \$8,488. The County overlooked the necessary adjustments needed for the unusual situation in which there were fourteen pay periods in the first half of the fiscal year and twelve pay periods in the second half. All payroll calculations are made by dividing the salary by the normal twenty-six pay periods in the year. Therefore, two exiting employees who worked until December 31, 2010 were overpaid by the amount of the fourteenth pay period and employees who began or changed status to salaried were paid only the twelve periods for the second half of the year instead of one-half of the pay to which they were entitled.

Recommendation – The County should correct the underpayment for the eight affected employees. The County should also attempt to contact the two former employees to determine if a settlement can be reached. The County should adopt a different method in the future for payroll calculations.

Response – We will adopt a different method of payroll calculations that will avoid this problem in the future. We will correct the underpayments as noted and will attempt to contact the individuals who were overpaid to arrange a settlement.

Conclusion – Response accepted.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-D-11 Camping Fees – We noted in our testing of receipts for camping fees that the conservation department is not always turning those fees received over to the County Treasurer for deposit and revenue recognition on a timely basis. We noted that some fee receipts were held as long as 37 days by the conservation department before being turned in.

Recommendation – All fees for camping should be remitted to the County Treasurer on a timely basis. We recommend that these fees be turned in no less often than once a week to protect the underlying asset and insure proper revenue recognition.

Response – The nature of these receipts and our ability to retrieve all fees that have been paid in relation to other conservation duties complicates the timely remittance of these fees to the County Treasurer. However, we will review our procedures and will make any possible changes to insure the timeliness of these remittances in the future.

Conclusion – Response accepted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the mental health function prior to amending the budget. Disbursements in the mental health and medical examiner departments exceeded the amounts appropriated prior to amending the appropriations.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required in the future and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – Except as previously noted in item II-C-11, no expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Martha Dykstra, Communications Director	Storage	\$ 100

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount was less than \$1,500 during the fiscal year.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.
- IV-J-11 Financial Condition – The County’s Internal Service Fund, Self-Funded Dental Insurance had deficit net assets of \$13,438 at June 30, 2011. The County uses this fund to self-insure for dental and related costs for County employees and should have a reserve to cover all necessary and projected costs.

Recommendation – The County should explore alternatives to return this fund to a sound financial condition.

Response – We are exploring all options at this time, including the possibility of returning to a fully-insured plan in the future.

Conclusion – Response accepted.